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COSTS and RETURNS



**Commercial
Tobacco
Farms**

**Coastal Plain,
North Carolina**

1966

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Godsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1966 costs and returns studies have been conducted on the following:

Dairy Farms, Northeast and Midwest
 Corn Belt Farms
 Egg-Producing Farms, New Jersey
 Broiler Farms, Maine, Delmarva, and Georgia
 Cotton Farms
 Tobacco Farms, Coastal Plain, North Carolina
 Tobacco-Livestock Farms, Bluegrass Area, Kentucky and Pennyroyal Area, Kentucky-Tennessee
 Wheat Farms, Plains and Pacific Northwest
 Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1966 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1966.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

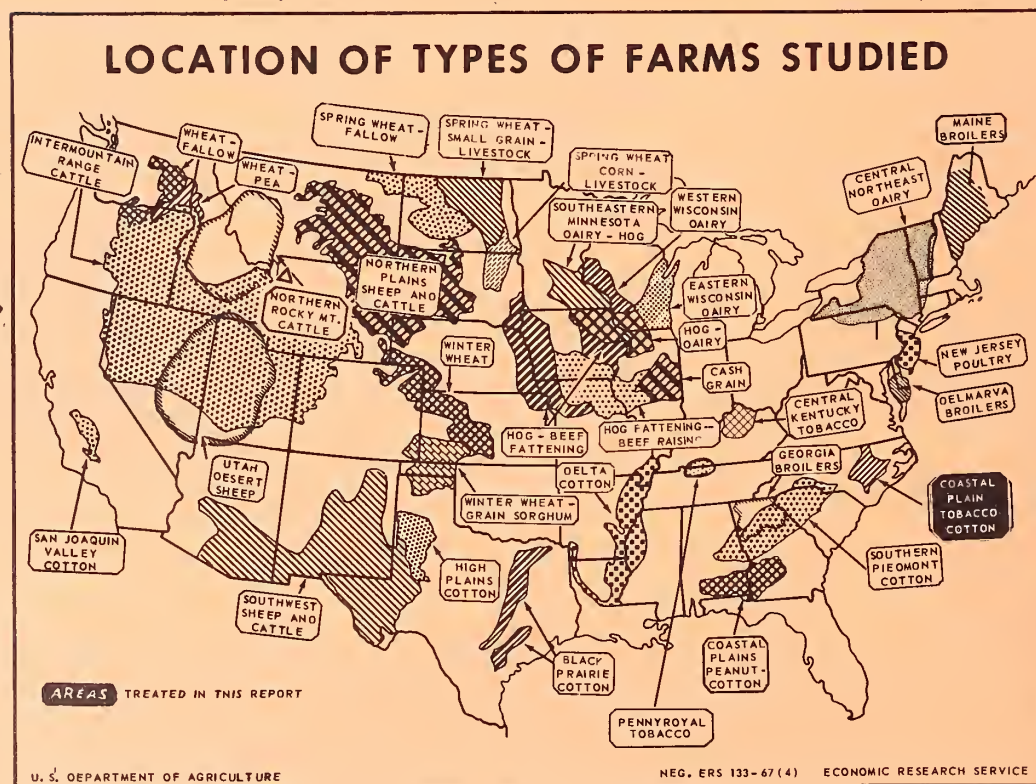


Figure 1

COSTS AND RETURNS

COMMERCIAL TOBACCO FARMS

COASTAL PLAIN, NORTH CAROLINA, 1966

Owen K. Shugars and Daphene E. Tippet¹

Net farm incomes in 1966 averaged approximately 19 percent above those of 1965 on tobacco and tobacco-cotton farms in the Coastal Plain of North Carolina (figs. 1 and 2). (For definition of net income see note at the end of table 2.)

Returns were higher in 1966, due chiefly to greater tobacco production per farm and a higher price received for tobacco. In 1966, tobacco acreage per farm on tobacco and tobacco-cotton farms averaged around 13 percent above a year earlier (table 1). The acreage was larger in 1966 due to increases in allotments and a general upward trend in farm size. Allotments increased in 1966, the second year of the acreage-poundage program, because marketings in 1965 fell below the poundage quota. Tobacco yields in 1966 averaged above a year earlier but still below the acreage-poundage yield goal. Consequently, although tobacco production per farm increased sharply, marketings fell a little short of the poundage quota for 1966. The 1966 under-marketings of individual farms will be added to their 1967 quotas.

Prices received for flue-cured tobacco in this area averaged \$67.53 per hundred pounds in 1966, \$4.04 above 1965 and a record high.

Tobacco Farms

Net farm income on tobacco farms in the Coastal Plain in 1966 is estimated to have been \$6,163 per farm, about 16 percent above a year earlier (table 2). Gross income increased 15 percent from 1965; operating expenses rose 14 percent.

Returns increased in 1966 chiefly because of higher receipts from

tobacco (table 3). Acreage-poundage quotas were increased in 1966 to compensate for net under-marketings in 1965. Tobacco acreage rose to 7.7 acres per farm, up 1.1 acres from a year earlier, partly because of a larger allotment and to a lesser extent because of the continuing trend to larger operating units. The lease and transfer provision of the tobacco program, other rental arrangements, and land purchases each

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COASTAL PLAIN, NORTH CAROLINA

Location of Types of Farms Studied



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Table 1.--Size, organization, and production, tobacco farms, Coastal Plain,
North Carolina, 1965 and 1966

Item	Unit	Tobacco farms			Tobacco-cotton farms		
		1965	1966	1/	1965	1966	1/
Land in farm.....	Acre	97	98		107	109	
Cropland harvested.....	do.	33.2	34.6		39.5	41.1	
Crops harvested:							
Tobacco.....	do.	6.8	7.7		6.6	7.5	
Cotton.....	do.	---	---		7.2	4.5	
Corn.....	do.	16.5	17.0		14.6	15.9	
Soybeans.....	do.	5.9	6.8		6.4	8.5	
Hay.....	do.	1.4	1.4		1.6	1.6	
Other crops.....	do.	2.6	1.7		3.1	3.1	
Crop yields per harvested acre:							
Tobacco.....	Pound	1,855	1,892		1,855	1,892	
Cotton.....	do.	---	---		303	304	
Corn.....	Bushel	74	47		74	47	
Soybeans.....	do.	27	26		27	26	
Hay.....	Ton	1.6	1.5		1.6	1.5	
All cattle, Jan. 1.....	Number	1.2	1.2		1.5	1.5	
Brood sows.....	do.	1.4	1.9		1.3	1.7	
Total farm capital, Jan. 1.....	Dollar	43,540	44,450		47,720	48,980	
Land and buildings.....	do.	37,930	38,320		41,840	42,620	
Machinery and equipment.....	do.	4,650	4,860		4,940	5,170	
Livestock.....	do.	420	670		450	660	
Crops.....	do.	540	600		490	530	
Total labor used.....	Hour	4,570	5,040		5,280	5,450	
Operator and family.....	do.	2,000	2,120		2,120	2,180	
Hired.....	do.	2,570	2,920		3,160	3,270	

1/ Preliminary.

Table 2.--Income, costs and returns, tobacco farms, Coastal Plain,
North Carolina, 1965 and 1966

Item	Unit	Tobacco farms		Tobacco-cotton farms	
		1965	1966 <u>1/</u>	1965	1966 <u>1/</u>
Gross farm income.....	Dollar	11,114	12,792	11,484	13,186
Operating expenses.....	do.	5,811	6,629	6,509	7,141
Net farm income.....	do.	5,303	6,163	4,975	6,045
INDEX NUMBERS (1957-59=100):					
Net farm income.....	---	132	154	126	153
Net farm production.....	---	107	114	107	111
Operating expense per unit of production.....	---	107	115	110	116
Production per unit of input.....	---	110	110	107	108
Prices received for products sold.....	---	111	120	109	118
Prices paid, including wages to hired labor.....	---	115	122	115	122

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Table 3.--Gross farm income, tobacco farms, Coastal Plain,
North Carolina, 1965 and 1966

Item	Tobacco farms		Tobacco-cotton farms	
	<u>Dollars</u>	<u>1966 1/</u>	<u>Dollars</u>	<u>1966 1/</u>
	1965	1966 1/	1965	1966 1/
Total cash receipts.....	10,433	11,998	10,791	12,383
Tobacco.....	7,770	9,548	7,542	9,300
Cotton, lint and seed.....	---	---	733	381
Corn.....	973	396	931	521
Soybeans.....	365	490	397	612
Other crops.....	176	166	180	166
Livestock and livestock products.....	784	961	609	752
Other, including Government payments.....	365	437	399	651
Value of perquisites.....	606	617	637	648
Change in inventory, crops and livestock.....	75	177	56	155
Gross farm income.....	11,114	12,792	11,484	13,186

1/ Preliminary.

contribute to the expanding size of farming operations in this area.

Tobacco yields averaged a little higher in 1966 but still below the acreage-poundage average yield goal for these farms. Marketings of tobacco per farm were up sharply in 1966, though slightly below the poundage quota. Acreage allotments and poundage quotas will be increased in 1967 for farms with under-marketings in 1966. Receipts from tobacco in 1966 rose substantially due to the larger marketings and a higher price received. Flue-cured tobacco prices in 1966 averaged 6 percent above a year earlier in the Coastal Plain.

Drought conditions during the 1966 growing season were particularly severe in the western portion of the area. Tobacco and corn yields suffered throughout the Coastal Plain. However, tobacco made some recovery late in the season in the eastern portion and boosted the yield for the area a little above the relatively low 1965 average. Corn yields dropped from a record high 74 bushels per acre in 1965 to 47 bushels per acre in 1966, the lowest since the 1950's.

Because of the sharply reduced corn yield, receipts from sales of corn declined by \$577 per farm. Prices received for corn advanced 23 cents per bushel, but the quantity sold was down 520 bushels per farm.

Receipts in 1966 from soybeans, livestock, and Government payments each showed increases ranging from about \$70 to \$170. Soybean production increased due to larger acreage in 1966. The price received for soybeans averaged 48 cents a bushel above a year earlier. Livestock receipts were higher because of increased production and higher prices

received for hogs. Total Government payments were higher because of increased earnings under the feed grain program.

An increase of 8 percent in the quantity of inputs used and an increase of 6 percent in prices paid resulted in higher operating expense per farm in 1966 (table 4). The quantity of inputs used was greater than in 1965 chiefly because of a larger tobacco acreage. Expenditures for hired labor, the major expense item on these farms, increased by 27 percent. The quantity of labor hired was up 19 percent and wage rates averaged 12 percent above 1965. Expenditures for fertilizer and fuel for curing tobacco also advanced, chiefly because of the larger tobacco acreage.

Prices paid for all goods and services used in production in 1966 averaged 6 percent above 1965. In addition to higher wage rates, higher prices paid for machinery, building materials, feed, and taxes contributed to the higher average.

Tobacco-Cotton Farms

Net farm income on tobacco-cotton farms is estimated at \$6,045 per farm in 1966, up \$1,070 from a year earlier. Gross farm income increased 15 percent and operating expense averaged 10 percent above a year earlier.

Receipts from tobacco advanced \$1,758 per farm because of greater production and higher prices. Tobacco acreage allotments and poundage quotas were increased on these farms due to net under-marketings in 1965. Tobacco acreage per farm increased about 13 percent in 1966, chiefly because of the larger allotment. Tobacco yields

Table 4.--Operating expenses, tobacco farms, Coastal Plain,
North Carolina, 1965 and 1966

Item	Tobacco farms		Tobacco-cotton farms	
	1965	1966 <u>1/</u>	1965	1966 <u>1/</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Total cash expenditures.....	5,839	6,596	6,545	7,112
Crop expense.....	1,471	1,652	1,548	1,714
Feed and other livestock expense.....	131	159	114	136
Machinery.....	1,732	1,776	1,902	1,920
Hired labor.....	1,862	2,364	2,286	2,642
Farm buildings and fences.....	368	354	405	390
Taxes.....	198	213	216	233
Other.....	77	78	74	77
Inventory adjustment, machinery and buildings.....	-28	33	-36	29
Total operating expenses.....	5,811	6,629	6,509	7,141

1/ Preliminary.

per acre in 1966 averaged a little above a year earlier but were not quite equal to the average-yield goal of the acreage-poundage program. Allotments and poundage quotas will be increased in 1967 for those farms which marketed less than their quotas in 1966.

Sales of cotton declined in 1966 because of reduced production and a lower price received for lint. Cotton production per farm dropped 37 percent in 1966 as diverted acreage increased sharply from 1965. In addition, planting and early growing conditions were unfavorable in 1966, resulting in unusually high abandonment.

The acreage of cotton was reduced nearly 38 percent compared with 1965. However, with the high abandonment rate, mostly better stands of cotton were harvested

and yield per harvested acre averaged about the same as in 1965. Government payments under the 1966 cotton program (diversion and price support) averaged \$310 per farm, compared with \$85 a year earlier.

Operating expense was higher in 1966, chiefly because of the larger tobacco acreage and higher prices paid for inputs. Expenditures for hired labor rose by 16 percent. Greater labor requirements for tobacco and a higher wage rate in 1966 more than offset a reduction in the quantity of labor needed for cotton.

The quantity of inputs used in production on tobacco-cotton farms in 1966 was up nearly 4 percent from the previous year. Prices paid for these inputs increased 6 percent from 1965 to 1966.

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